THE TIMES

Network Rail debt steams past £30bn

The company said the year ending March 31 had been hit by bad weather Richard Pohle for The Times

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Network Rail expects the rail regulator to call for significant cost-cutting after accounts for the state-funded company showed that its debt had rocketed to £30 billion.

The company's annual results revealed that staff costs and operating costs had risen sharply, partly because of dismal weather over winter and spring. After tax, profits fell by £62 million to £699 million, while debt, which is guaranteed by the Government, surged by £3 billion to £30.36 billion.

Network Rail said it would be "very challenging" to meet efficiency savings of 23 per cent for the five years to 2014. It added that it was in discussion with the Office of Rail Regulation over the value of repairs to infrastructure, which it has failed to undertake even though it has received taxpayer funding to complete the works. The ORR will also announce today that Network Rail has missed all its punctuality targets for England as well as for Wales.

Full-year results for 2012-13 showed that operating costs rose by £323 million to £3.98 billion and staff costs rose by £100 million to £1.78 billion despite a fall in the number of staff. A spokesman said that heavy rain and its associated repair bill had cost £58 million while a failure to conduct maintenance work contributed to a depreciation of £113 million in Network Rail's own assessment of the value of the railway. Capital expenditure rose by £450 million to £5 billion.

Patrick Butcher, the group finance director, said: "The last year has been one of operational and financial challenges. We have been disappointed with the slowing of train performance improvements but celebrate continued strong growth, savings made, better passenger and customer satisfaction and hundreds of projects to improve and expand the railway completed."

The results also confirmed what many commuters had already learnt through bitter experience: that one in ten passenger trains ran late.

Last week the company announced that Sir David Higgins, the chief executive of Network Rail, would receive an annual bonus of almost £100,000 funded by the taxpayer even though the company missed key performance targets. Four other executive directors — including Mr Butcher — received bonuses equal to 17 per cent of their annual salary.

7 comments

Michael Daventry **3 people listening**

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Melissa Roy

16 hours ago

Shambolic. Sack the lot of them and re-nationalise it.

It's the only way.

1 Recommend Reply

Ramsay Ross

17 hours ago

Your point is well made.

What is a scandal is that the target return sought by Govt, net of obscene professional fees, is never made public. Only then will we understand whether privatisation or PFI is really delivering value for money and be able to hold politicians to account.

Oops; perhaps I have inadvertently provided the answer - they don't want us to know!!

1 Recommend Reply

Neil Protheroe

17 hours ago

The interest on this debt, at 5% per annum, is £1.5 billion a year, over £4 million a day. As a rough calculation, if profit after tax is £699 million and interest is £1,500 million, assuming an effective tax rate of 20%, earnings before interest and tax would be around £2,400 million, giving an interest cover ratio of 1.60.

I'm not sure a bank would willingly lend anyone any money at that level, so why should the taxpayer be on the hook? The whole idea of privatising state-owned assets is to relive the taxpayer of these costs and liabilities. Never mind the punctuality figures and the accountants' valuation of bridges and platforms. This is all the evidence needed to prove that the rail privatisation is a complete failure.

2 Recommend Reply

Ramsay Ross

23 hours ago

The challenge of success........................errrrr A rather more accurate way to describe the situation is that supply has failed to keep pace with demand, and this has been a continuing picture for the long-suffering traveling public. Denationalisation was supposed to address this - well progress appears poor on any metric Mr Major

So the question is, what are you - the well paid execs - going to do about it, or is it a political problem. Next year tell it like it is and spare us these stupid comments

1 Recommend Reply

Keith Nicholls

23 hours ago

So, it made a profit of £699 million but its nett debt rose by more than £3 billion - sounds like an absolutely brilliant deal for the taxpayer !!!!!!!! At this rate the difference between nett assets and nett debt could be eroded to £zero in some 5 years and the taxpayer will end up empty handed again!!! Yet some how the boss man contrives to receive a bonus of £100,000....... what am I missing, or are my little grey cells not up to scratch today???????

2 Recommend Reply

A HOARE

1 day ago

The way this de-nationalisation took place was fundamentally flawed. If only we had a government that wished to sort this out.

2 Recommend Reply

Tony B

1 day ago

“The last year has been one of operational and financial challenges."

God only knows what his bonus would have been if they had had a non-challenging operational and financial year.

4 Recommend Reply

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